

BPCE SA

Remuneration policy and practices in respect of persons defined in article L.511-71 of the French Monetary and Financial Code

Fiscal Year 2018

1. Description of the company's current remuneration policy

The following remuneration policy is consistent with the principles of Groupe BPCE's remuneration policy.

Groupe BPCE considers its employee remuneration policy to be a key tool in implementing its strategy. The aim is to offer attractive and competitive compensation with respect to market practices (both locally and in specific sectors) in order to attract talent and retain and motivate existing employees.

The policy also aims to be fair, ensuring internal equity in the remuneration of collective and individual performances.

It respects banking and financial sector regulations.

Compensation assessments are conducted regularly by specialist consultancies to check that the various components of remuneration are consistent with market practices, and to take corrective action where necessary.

To this end, each of the Group's companies performs an annual analysis and review of individual compensation and any related changes, taking into account performances achieved and any targets met. Where required, budgets will be set aside for revaluation or catch-up compensation, to ensure gender equality is respected between professionals.

BPCE SA's employees are paid a fixed level of compensation according to their pay grade, in accordance with the collective bargaining agreement for the French banking sector and their level of responsibility. They also receive variable amounts of compensation according to targets set in relation to their role.

The maximum variable component stands at 8% of fixed compensation, except for employees receiving a contractual variable component, in which case the percentage is capped at between 8% and 50% depending on the person's level of responsibility, and may reach 80% in exceptional cases.

Members of the Management Board are subject to the compensation system described below as part of the general remuneration principles applying to risk takers.

Employees are entitled to take part in the company profit-sharing scheme, of which the overall amount is capped at 12% of the total payroll.

2. Decision-making process involved in determining the remuneration policy

The Remunerations Committee consists of the chairmen of the Banques Populaires' Boards of Directors and of the Caisses d'Epargnes' Steering and Supervisory Boards, as well as a Managing Director from Banque Populaire, a chairman of Caisse d'Epargne's Management Board, an employee representative sitting on the Supervisory Board and an independent committee member.

The Committee is chaired by an independent member in accordance with the French Code of Corporate Governance for Listed Companies.

Members of the Committee may not be managing corporate officers of BPCE at the same time.

The Committee is chaired by independent member Maryse Aulagnon, the CEO of Affine, and has the following members (composition at 31 December 2018):

- ✓ Catherine Amin Garde, Chairman of the Steering and Supervisory Board of the Caisse d'Épargne Loire Drôme Ardèche
- ✓ Gérard Bellemon, Chairman of the Board of Banque Populaire Val de France
- ✓ Bernard Dupouy, Chairman of the Board of Banque Populaire Aquitaine Centre Atlantique ;
- ✓ Yves Gevin, Managing Director of Banque Populaire Rives de Paris
- ✓ Vincent Gontier, member representing employees
- ✓ Dominique Goursolle-Nouhaud, Chairman of the Steering and Supervisory Board of the Caisse d'Épargne Aquitaine Poitou-Charentes
- ✓ Didier Patault, Chairman of the Management Board of the Caisse d'Épargne Ile-de-France.

The Committee met four times in 2018.

It conducted a review of:

- the principles of the compensation policy implemented by the Company and the Group;
- compensation, allowances and benefits of all kinds granted to the Company's managing corporate officers;
- compensation paid to the Chief Risk Officer and the Chief Compliance Officer.

The Remunerations Committee expressed its opinion on the proposals made by general management with regard to risk-takers and the principles on which the remuneration policy for risk-takers is based.

3. Description of remuneration policy

Composition of risk-taker population

Pursuant to Commission Delegated Regulation (EU) n° 604/2014, Groupe BPCE's companies must identify the categories of personnel whose professional activities have a significant impact on its risk profile.

To this end, the delegated regulation outlines a number of qualitative and quantitative criteria.

Articles 198-201 of the 3 November 2014 decree relating to internal controls conducted by companies in the banking, payment services and investment services sector, subject to regular monitoring by the French Prudential Supervision and Resolution Authority, stipulate the terms under which remuneration policy rules are to be applied to said establishments, according to their size, internal organisation structure, as well as the nature, scale and complexity of their activities.

At Groupe BPCE, the criteria for identifying risk takers therefore:

- apply to the Banques Populaires, the Caisses d'Épargne and to lending companies, financing companies and investment firms, with over €10bn in total assets on their balance sheets, both on an individual basis and on a consolidated and sub-consolidated basis;
- apply to lending companies, financing companies and investment firms, with total assets of less than €10bn but only at Group level;
- do not apply to asset management companies, portfolio management companies, insurance companies or reinsurance companies;

- apply to other Group companies with more than €10bn in assets on their balance sheet or whose activities present risks to Group solvency and liquidity, but solely on a consolidated basis.

As regards BPCE SA, a lending institution with more than €10bn in total assets on its balance sheet, the following persons have been identified in respect of the aforementioned criteria:

- Members of the Management Board;
- Members of the Supervisory Board;
- Members of the Executive Management Committee;
- The heads of each of the three control functions, both at Group level and BPCE SA level, and their immediate subordinates as identified by them;
- The heads of the following support functions, both at Group level and BPCE SA level: legal, financial, budget, tax, human resources, remunerations policy, IT, economic analysis;
- Permanent, full and substitute members, and decision-makers, in the following finance and risk management committees:
 - Group Strategic ALM Committee
 - Group Accounting Standards and Methods and Steering Committee
 - Group Risks and Compliance Committee
 - Group Watchlist and Provisions Committee
 - Group Standards and Risk Methods, Compliance and Permanent Control Committee
 - Group Non-Financial Risks Committee
 - Risk, Compliance and Permanent Control Committee focusing on the banks
 - BPCE SA Risks and Compliance Committee
 - Caisse d'Épargne Credit Risk Committee
 - Banques Populaires Credit Risk Committee
 - Group Credit and Counterparty Risk Committee
 - Group Market Risks Committee
 - CEVANOP Committee (new products).

Members of these committees who do not work for BPCE SA are identified in the name of their company

- Those employees with potential to use at least 0.5% of BPCE SA's core Tier 1 equity , calculated on a consolidated basis;
- Line managers of the aforementioned employees;
- Heads of BPCE SA's internal SRAB/Volcker units (set up in relation to French rules on the separation and regulation of banking activities);
- Employees who received compensation (fixed + variable) of above or equal to €500K in 2017;
- Employees whose compensation (fixed + variable) was among the top 0.3% in 2017;

Given that BPCE SA's subsidiary BPCE I is identified as a material business unit, its managing director, global risk management officer and their respective immediate subordinates are also identified as risk takers.

In all, 26 members of the Supervisory Board and 77¹ employees (managing corporate officers and staff) were thus identified in 2018. The pro-rata headcount for the period (taking account of employees entering or leaving service during the year) works out to 85.3 people.

¹ Of which 17 people at BPCE I (15.4 FTE)

This list was reviewed by the Group Risks, Compliance and Permanent Controls Department. It was submitted to the Executive Management Committee and Remunerations Committee for approval.

General principles of remunerations policy

A distinction needs to be made between three employee categories within the regulated population.

Members of the Supervisory Board;

These are remunerated exclusively in attendance fees, with the Chairman also receiving a duty allowance, the amounts of which are determined in advance. They do not receive any variable compensation in respect of their mandate.

Management Board and Members of the Executive Management Committee;

The fixed compensation received by the Chairman and Management Board members in respect of 2018 was as follows:

François Pérol, Chairman of the Management Board until 31 May 2018:

Fixed annual compensation: €1,080,000 (including a specific supplementary amount in respect of the pension scheme covered by article 82 of the French General Tax Code);

Laurent Mignon, Chairman of the Management Board since 1 June 2018:

Fixed annual compensation: €1,200,000 (including a specific supplementary amount in respect of the pension scheme covered by article 82 of the French General Tax Code);

Laurent Mignon, member of BPCE's Management Board and CEO of Natixis until 31 May 2018, did not receive any compensation for his role as member of BPCE's Management Board during the period. Any remuneration received by him was in payment for his role as Natixis CEO.

Catherine Halberstadt, member of the BPCE Management Board - Head of Human Resources

Fixed annual compensation: €500,000;

Laurent Roubin: member of the Management Board - Head of Retail Banking & Insurance until 31 October 2018:

Fixed annual compensation: €500,000

Christine Fabresse: member of the Management Board - Head of Groupe BPCE Retail Banking & Insurance division since 1 November 2018:

Fixed annual compensation: €500,000;

François Riahi: member of the Management Board, CEO in charge of Finance, Strategy, Legal Affairs, Supervisory Board Secretary, until 31 May 2018:

Fixed annual compensation: €768,000 (including a specific supplementary amount in respect of the pension scheme covered by article 82 of the French General Tax Code);

François Riahi, member of BPCE's Management Board and CEO of Natixis since 1 June 2018, does not receive any compensation in respect of his role as member of BPCE's Management Board as of that date. Any remuneration received by him since 1 June 2018 has been in respect of his role as Natixis CEO.

Nicolas Namias: member of the Management Board in charge of Group Finance and Strategy since 1 June 2018:

Fixed annual compensation: €600,000 (including a specific supplementary amount in respect of the pension scheme covered by article 82 of the French General Tax Code);

Note that members of the Management Board (aside from the Chairman and member of the Management Board who is CEO of Natixis) have work contracts. The introduction of work contracts from 1 June 2018 was authorised and approved by the Supervisory Board on 13 February 2018. Accordingly, their compensation consists of that earned under their work contract (90%) and that earned in respect of their directorship (10%). These terms were renewed by the Supervisory Board on

4 October 2018 and the related regulated agreements will be presented to the AGM called to approve the 2018 financial statements.

The principles and rules applied in calculating their compensation, and other benefits awarded in respect of their mandate and work contract, are approved by the Supervisory Board acting on a proposals made by the Remunerations Committee.

Variable remuneration:

The Chairman of the Management Board is to receive a target variable remuneration of 100% of fixed compensation, with a ceiling of 120% in the event he/she outperforms;

Other members of the Management Board are to receive a target variable remuneration of 80%, with a ceiling of 100% in the event they outperform.

The variable remuneration due for 2018 is only awarded if the following condition is respected:

The Group's Basel 3 minimum CET1 ratio (based on regulatory Corep view, i.e. involving transitory measures) must exceed the ECB's regulatory threshold at 31 December 2018.

This condition was respected in 2018, with a CET1 ratio of 15.8% at 31 December 2018.

Targets are assessed according to both quantitative criteria, which account for 60% of variable compensation, and qualitative criteria, accounting for 40% of said compensation.

- Quantitative criteria Net profit Group share accounting for 30%, cost/income ratio for 20%, and NBI for 10%.
- Five qualitative criteria (40%): Retail Banking & Insurance, Human Resources and BPCE SA Corporate Secretary, Finances and Strategy, Supervision/Audit/Governance, Digital & Information System

The target variable remuneration for other members of the Executive Management Committee stands at 80% of their fixed compensation, with a ceiling of 100% in the event they outperform. Aside from the Deputy CEO of Risks, Compliance and Permanent Control, who is assigned specific targets, the other members of the Executive Management Committee are assigned targets in line with the criteria applied to the Management Board's variable remuneration.

Other employees in the regulated population

These earn a contractual variable remuneration up to a maximum rate of between 12% and 30% for those in the K category, and 25% to 80% for unclassified senior executives.

In all cases, the variable remuneration is based on individual targets relating to the role or entity to which the person belongs.

Ultimately, for all BPCE SA employees, the variable remuneration may not exceed 100% of their fixed compensation except in the case of the Chairman of the Management Board.

Remuneration policy for risk takers

Group standard

The remuneration policy for risk takers implemented by Groupe BPCE is consistent with articles L511-71-L511-85 of the French Monetary and Financial Code.

This policy, and the terms under which ensuing regulations are to be applied across the Group, are subject to a Group standard, which was adopted by the BPCE's Supervisory Board on 12 February 2019 and is updated daily, subsequent to internal and independent assessments conducted every year by the group's General Inspection and internal audit departments.

Minimum equity threshold

The Group standard establishes a minimum amount of equity necessary for the allocation of variable compensation to Group risk takers. In 2018, the threshold was the same as that applied to members of BPCE SA's Management Board (see above).

Accounting for the company's financial situation

Every year, and prior to payment, the BPCE SA's Remunerations Committee checks whether the company's financial situation and the reality of the performances achieved by risk takers within their scope of sub-consolidation are consistent with the allocation of variable compensation. Following this assessment, the Committee may propose a reduction in the variable remuneration awarded.

Reduction in variable compensation following misconduct

A penalty system in the event of misconduct has also been introduced, in keeping with the general framework established by the Group standard. This general framework provides for three kinds of breach:

- Major breach: impact exceeding the Group's serious incident threshold (€300K) - percentage reduction of up to -10%;
- Significant breach: impact exceeding the Group's significant incident threshold (0.5% of the Bank's equity) - percentage reduction of up to -100%;
- Non-attendance at obligatory, regulatory training: -5% per training course.

The Committee in charge of sanctions for misconduct observed that there had been no sanctions in respect of major or significant breaches or of obligatory regulatory training courses in fiscal 2018. In 2018, BPCE SA did not observe any misconduct sanctions and no variable remuneration allocations were reduced.

Accounting for the mandatory separation and regulation of banking activities (SRAB) and the Volcker Rule

Meanwhile, the systematic inclusion of the heads of internal "SRAB/Volcker" units in risk taking populations ensures that the remuneration of the latter complies with the specific regulations these rules entail.

Finally, the Group's policy for paying variable compensation has the following characteristics, when the variable compensation amount allocated is higher than or equal to €100,000. These rules apply to all variable compensation allocated.

Conditions for the deferred and conditional payment of a portion of the variable compensation

The payment of a portion of the variable compensation due in respect of a fiscal year is deferred in time and subject to conditions.

Payment of this portion is staggered over the three years following that in which the variable compensation amount was paid, and at a rate of one third per year.

Deferred variable compensation amounts

The deferred share of variable compensation stands at 50%, with the figure rising to 60% if the variable compensation is higher than or equal to €500,000, and to 70%, if the figure is higher than or equal to €1,000,000.

Payment in shares or equivalent financial instruments

BPCE SA being an unlisted company, the deferred component of variable remuneration is paid in cash, the amount of which is indexed to an indicator representing changes in the value of Groupe BPCE.

The indicator used is the ratio of Group net earnings, based on a rolling average for the past three calendar years prior to the year of allocation and the years of payment.

The indexation coefficient for the portions of variable compensation allotted in respect of 2015 and deferred until 2019 stands at 1,1370.

The indexation coefficient for the portions of variable compensation allotted in respect of 2016 and deferred until 2019 stands at 1,0190.

The indexation coefficient for the portions of variable compensation allotted in respect of 2017 and deferred until 2019 stands at 1,0245.

In light of the additional minimum holding period required by regulations, the conditional payment of the deferred component of variable compensation in respect of year 1 (Y) will be performed at the earliest in October of years Y+2, Y+3, and Y+4

Application of sanctions to deferred portions

Pursuant to article L.511-83 of the French Monetary and Financial Code, the Supervisory Board has decided to act on the proposal tabled by the Remunerations Committee to only pay the deferred component of compensation if the normative ROE on Group business lines is equal to higher than 4%.

Aggregate quantitative information

Table 1

	Management body executive function	Management body supervisory function	Investment Banking	Retail Banking	Asset management	Support functions	Independent control function	Other	Total
Employees (*)	6.0	18.2		11.7		19.1	30.3		85.3
Fixed compensation	€3,331,262	€965,736		€2,592,519		€4,643,135	€4,623,948		€16,156,600
Variable compensation	€3,154,691			€995,188		€2,216,588	€1,517,235		€7,883,702
Total compensation	€6,485,953	€965,736	€0	€3,587,707	€0	€6,859,723	€6,141,183	€0	€24,040,302

(*) pro-rata data

Table 2

Aggregate quantitative information on pay, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution

Article 450 h) of EU regulation 575/2013

	Management body	Other	Total
Employees (*)	24.2	61.1	85.3
Total compensation	€7,451,689	€16,588,613	€24,040,302
- o/w fixed compensation	€4,296,998	€11,859,602	€16,156,600
- o/w variable compensation	€3,154,691	€4,729,011	€7,883,702
- o/w non-deferred compensation	€1,396,891	€3,629,388	€5,026,279
- o/w cash	€1,396,891	€3,629,388	€5,026,279
- o/w shares and related instruments	€0	€0	€0
- o/w other instruments	€0	€0	€0
- o/w deferred compensation	€1,757,801	€1,099,623	€2,857,424
- o/w cash	€0	€0	€0
- o/w shares and related instruments	€1,757,801	€1,099,623	€2,857,424
- o/w other instruments	€0	€0	€0
Outstanding variable compensation allocated in respect of previous financial years and not yet paid	€1,831,160		€1,831,160
Outstanding variable compensation allocated in respect of previous financial years that has been paid (after reduction)	€1,719,493		€1,719,493
- Total reductions			€0
Severance pay awarded		€476,255	€476,255
Number of recipients of severance pay		1	1
Sign-on payments			€0
Number of recipients of sign-on payments			0

(*) pro-rata data

Table 3 (compensation exceeding €1 million)

Total compensation	Number of employees
Above or equal to 1 million and less than 1.5 million	2